COPYRIGHT LAW: EXISTENCE OF A SECOND LEGITIMATE USE HELD INEFFECTIVE TO CURE AN INFRINGING PUBLIC PERFORMANCE FOR PROFIT

THE EXCLUSIVE RIGHT to perform a copyrighted musical composition publicly for profit[1] has been given an increasingly comprehensive scope by the federal courts to meet marked changes in technology and entertainment practices since the enactment of the copyright law in 1909.[2] In *Chappell & Co. v. Middletown Farmers Market & Auction Co.*,[3] the Court of Appeals for the Third Circuit held that where the playing of phonograph records aids in creating an attractive shopping atmosphere, such renditions are infringements even though there exists a second non-infringing purpose of promoting the sale of records.

The defendant corporation operated a "merchandise mart," or shopping center, in which it leased space to a music store with an agreement to publicize in newspapers and by a loudspeaker system the merchandise sold by its lessee.[4] Without obtaining permission from any of the five copyright owners or ASCAP,[5] the defendant played over the speaker system phonograph records of musical compositions which were on sale. It contended that these performances

[1] "EXCLUSIVE RIGHTS AS TO COPYRIGHTED WORKS. Any person entitled thereto, upon complying with the provisions of this title, shall have the exclusive right . . .

(e) To perform the copyrighted work publicly for profit if it be a musical composition...." 17 U.S.C. § 1 (1958).

[2] See generally AMDUR, COPYRIGHT LAW AND PRACTICE ch. 11 (1936); BALL, THE LAW OF COPYRIGHT AND LITERARY PROPERTY 422-26 (1944); ROTHENBERG, COPYRIGHT AND PUBLIC PERFORMANCE OF MUSIC 22-27 (1954); ROTHENBERG, LEGAL PROTECTION OF LITERATURE, ART AND MUSIC §§ 163-66 (1960); Emerson, *Public Performance for Profit: Past and Present*, 3 COPYRIGHT L. SYM. 53 (1940); Finkelstein, *Music and the Copyright Laws*, 10 N.Y.L.F. 155 (1964); Wyckoff, *Defenses Peculiar to Actions Based on Infringement of Musical Copyrights*, 5 COPYRIGHT L. SYM. 256 (1954); Annots. 23 A.L.R.2d 244 (1952), 136 A.L.R. 1438, 1442-43 (1942), 40 A.L.R. 1513 (1926).

[3] 334 F.2d 303 (3d Cir. 1964).

[4] The broadcasts originated in the central offices of Middletown and were carried to some fifty-eight speakers located on the premises and in the parking lot. *Id.* at 304.

[5] The American Society of Composers, Authors and Publishers was established to provide copyright owners collective enforcement of public performance for profit rights. The organization licenses on a non-exclusive basis the non-dramatic performing rights of members' works, and may thus bring an action against infringers. ROTHENBERG, COPYRIGHT AND PUBLIC PERFORMANCE OF MUSIC 27, 31 (1954). See generally Harris, *Small Composer Representation and Remedies in ASCAP*, 4 PUBLISHING, ENTERTAINMENT, ADVERTISING L.Q. 52 (1964).

were not infringing because they were to promote record sales[6] and thus benefitted the copyright owners.[7] The court, in holding that these renditions violated the copyrights, stated that a release of the sole right to manufacture mechanical reproductions[8] does not constitute a surrender of performance rights, which are relinquished only by express license, even in connection with the sale of these reproductions. Consequently, although playing the records was not of direct pecuniary benefit to the defendant, it was "for profit" to the extent that it was commercially beneficial in creating an attractive shopping atmosphere.[9]

Although the statutory terms "performance"[10] and "public"[11] have required extensive definition by the courts, the phrase "for profit" has presented the greatest problem in construction and application.[12] In the landmark decision of *Herbert v. Shanley Co.*,[13] the Supreme Court held that a charge of admission for the privilege of hearing the performance was not necessary to constitute a performance "for profit."[14] Indeed, the profit might derive indirectly from the sale of food in a dining environment made more attractive to commercial patronage by musical entertainment.[15] The courts

[6] 334 F.2d at 304. There was conflicting testimony as to whether announcements were made promoting the record sales, but the trial court found only that these compositions were "publicly performed * * * for the entertainment and amusement of patrons attending such place and to make such place of business an attractive place for the patronage of the general public." *Id.* at 304-05.

[7] See SHAFTER, MUSICAL COPYRIGHT 208 (1932).

[8] 334 F.2d at 305. When the owner of a musical copyright has made or authorized a mechanical recording of the music, the compulsory licensing provision under § 1 (e) of the Copyright Law allows anyone else to make similar use of the work by paying the copyright owner a royalty of two cents on each "part manufactured." 17 U.S.C. § 1 (e) (1958). See generally LINDLEY, ENTERTAINMENT, PUBLISHING AND THE ARTS 727-72 (1963).

[9] 334 F.2d at 306.

[10] See, *e.g.*, Jerome H. Remick & Co. v. General Elec. Co., 16 F.2d 829 (S.D.N.Y. 1926).

[11] See, *e.g.*, M. Witmark & Sons v. Tremont Social & Athletic Club, 188 F. Supp. 787 (D. Mass. 1960); Lerner v. Club Wander In, Inc., 174 F. Supp. 731 (D. Mass. 1959); Ernest Turner, Elec. Instruments Ltd. v. Performing Right Soc'y, Ltd., [1943] 1 Ch. 167.

[12] See Wyckoff, *supra* note 2, at 256.

[13] 242 U.S. 591 (1917), 26 YALE L.J. 417.

[14] See Buck v. Savoia Restaurant, 27 F. Supp. 289 (S.D.N.Y. 1938); *cf.* Sarpy v. Holland, [1908] 2 Ch. 198, 213-14.

[15] "[I]f the rights under the copyrights are infringed only by a performance where money is taken at the door they are very imperfectly protected. . . . It is true that the music is not the sole object, but neither is the food, which could probably be got cheaper elsewhere. If music did not pay it would be given up. If it pays it pays out of the public's pocket. Whether it pays or not the purpose of employing it is profit and that is enough." 242 U.S. at 594-95 (Holmes, J.).

readily applied the same rule to organ accompaniment in a silent movie theatre,[16] performances in a dance hall,[17] and other analogous uses.[18]

The advent of radio broadcasting demanded amplification of the *Shanley* rule.[19] An early case[20] involved a department store which sold radio equipment and played copyrighted musical compositions over its own radio broadcasting station. Even though all broadcasts were made without cost to radio listeners[21] and the only advertising was a slogan repeated during the day,[22] the court held the performance to be one for profit.[23] Shortly thereafter, the *Shanley* rule was extended by a holding that an indirect, hidden, future and uncertain profit was sufficient to constitute an infringement under the Copyright Act.[24] Thus, there was an infringement even where the radio station was operated by a non-profit corporation established to promote civic, educational and cultural purposes, and carried some advertising only to sustain and expand its program.[25]

When the courts considered whether the unlicensed use of the reception of a radio broadcast could be an infringement, the copyright owner again prevailed. Here it was held that control of the initial radio broadcast did not exhaust the monopolies conferred;

[16] Irving Berlin, Inc. v. Daigle, 31 F.2d 832, 834 (5th Cir. 1929); Harms v. Cohen, 279 Fed. 276 (E.D. Pa. 1922).

[17] Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co., 36 F.2d 354 (7th Cir. 1929); Buck v. Dacier, 26 F. Supp. 37 (D. Mass. 1938).

[18] Remick Music Corp. v. Interstate Hotel Co., 58 F. Supp. 523 (D. Neb. 1944), *aff'd*, 157 F.2d 744 (8th Cir.), *cert. denied*, 329 U.S. 809 (1946) (eleven cases consolidated involving a night club, a skating rink, a large dance hall, and dining or refreshment rooms in hotels.

[19] "[T]he statute may be applied to new situations not anticipated by Congress, if, fairly construed, such situations come within its intent and meaning." Jerome H. Remick & Co. v. American Auto Accessories Co., 5 F.2d 411 (6th Cir.), *cert. denied*, 269 U.S. 556 (1925), *reversing* 298 Fed. 628 (S.D. Ohio 1924). See generally Gitlin, *Radio Infringement of Musical Copyright*, 1 COPYRIGHT L. SYM. 61 (1939); Simpson, *The Copyright Situation as Affecting Radio Broadcasting*, 9 N.Y.U.L. REV. 180 (1931); Note, 12 B.U.L. REV. 243 (1932).

[20] M. Witmark & Sons v. L. Bamberger & Co., 291 Fed. 776 (D.N.J. 1923).

[21] *Id.* at 777.

[22] At the beginning and end of every periodical program the station broadcast: "L. Bamberger & Co., One of America's Great Stores, Newark, N.J." *Id.* at 779.

[23] *Contra*, Jerome H. Remick & Co. v. General Elec. Co., 4 F.2d 160 (S.D.N.Y. 1924).

[24] Jerome H. Remick & Co. v. American Auto Accessories Co., 5 F.2d 411 (6th Cir. 1925). See Wyckoff, *supra* note 2, at 263.

[25] Associated Music Publishers v. Debs Memorial Radio Fund, 141 F.2d 852 (2d Cir.), *cert. denied*, 323 U.S. 766 (1944). The court said the defendant "has sought immediate commercial profit," even in forwarding "its philanthropic program...." *Id.* at 854. There was an "immediate profit from advertising programs both to the advertisers and to the corporate defendant." *Id.* at 855.

"the public reception for profit itself constitutes an infringement."[26] Likewise, music copyright protection was held applicable to the transmission of recorded music by private telephone wires to subscribing businesses for the entertainment of their patrons and personnel.[27]

The court in *Middletown* had little difficulty finding an infringing use of the musical composition. The cases had established that a direct profit in the form of a charge for hearing the records played is not an essential element of infringement.[28] An infringement occurs when there is any profit purpose in the performance independent of promoting record sales—in the instant case, the entertainment of business customers of the shopping center who might be induced to shop in surroundings made more pleasant for them by the music.[29]

The case, however, included an aspect of public performance for profit not previously raised; here the defendant argued that the existence of a non-infringing second use obviated the violation presented by entertaining customers.[30] Since the copyright holder is interested in selling recordings of his musical composition, the right of a phonograph record dealer to play his stock as an incident of sales promotion has never been challenged. A leading authority has asserted that since profit is attributable only to record sales, the public performance in this situation is not "for profit."[31] Yet, the sole purpose of the performance is to collect the profits from sales thereby stimulated. In this light, it would appear that a record dealer's performance should be treated as a reasonable and necessary

[26] Buck v. Jewell-LaSalle Realty Co., 283 U.S. 191, 198 (1931). Relaying regular commercial broadcasts to the rooms, public and private, of the defendant hotel was held a violation of the copyrights. *Ibid.* In a later case, relay to the private rooms only was similarly for profit as a part of the consideration provided guests by the hotel. Society of European Stage Authors & Composers v. New York Hotel Statler Co., 19 F. Supp. 1 (S.D.N.Y. 1937).

[27] Leo Feist, Inc. v. Lew Tendler Tavern, Inc., 162 F. Supp. 129 (E.D. Pa. 1958), *aff'd sub nom.* Harms, Inc. v. Sansom House Enterprises, 267 F.2d 494 (3d Cir. 1959), 10 MERCER L. REV. 203 (1958).

[28] See text accompanying notes 13-25 *supra.*

[29] 334 F.2d at 305-06.

[30] Shafter, in his treatise, refers to an unreported case, Buck v. Myers, Equity No. 61, (W.D. Mo., March 19, 1929), as holding that "a restaurant owner who played records for two purposes—to entertain his patrons and to sell records—could not claim the latter protection because the former use was not allowed." SHAFTER, MUSICAL COPYRIGHT 208 (1932). However, this case was neither cited by the court in *Middletown*, nor relied upon by the parties in their briefs, nor mentioned in any other work on the subject which has been examined.

[31] SHAFTER, *op. cit. supra* note 30, at 208.

exception to the music copyright protection. Perhaps the defense of "fair use," originally developed by the courts for literary works,[32] could properly excuse such use of a musical composition.

Regardless of the theoretical justification for excluding performances to promote records sales from copyright violation, according to the *Middletown* decision the existence of a legitimate use does not justify an infringing dual use.[33] When an infringing purpose is established, the fact that the performance is also used for a non-infringing purpose is not a defense and would appear immaterial.

Dicta in an earlier case of somewhat analogous circumstances might have suggested the result in this case. Where the proprietor of a business merely played for his own enjoyment a radio which might be deemed partially for the benefit of customers who also happen to listen, such was held to be "public" and "for profit," but not "performance."[34] However, that decision relied on a prior case[35] which was later reversed as to the concept of performance. This would seem to indicate that such acts would not be held public performances for profit. While the businessman's private enjoyment of the broadcast, the primary purpose, would not be infringing, listening by customers renders the performance both public and for profit.[36]

---

[32] See Broadway Music Corp. v. F-R Publishing Corp., 31 F. Supp. 817 (S.D.N.Y. 1940); Shapiro, Bernstein & Co. v. P.F. Collier & Son, 26 U.S.P.Q. 40 (S.D.N.Y. 1934).

"Fair use may be defined as a privilege in others than the owner of a copyright to use the copyrighted material in a reasonable manner without his consent, notwithstanding the monopoly granted to the owner by the copyright. Fair use is technically an infringement of copyright, but is allowed by law on the ground that the appropriation is reasonable and customary." BALL, COPYRIGHT AND LITERARY PROPERTY 260 (1944).

In determining whether a fair use exists, "the court must look to the nature and object of the selections made, the quantity and value of the materials used, and the degree in which this may prejudice the sale, diminish the profits, or supersede the objects of the original work." M. Witmark & Sons v. Pastime Amusement Co., 298 Fed. 470, 477 (E.D.S.C. 1924). See generally AMDUR, COPYRIGHT LAW AND PRACTICE 754-83 (1936); Cohen, *Fair Use in the Law of Copyright*, 6 COPYRIGHT L. SYM. 43 (1955).

[33] In M. Witmark & Sons v. L. Bamberger & Co., 291 Fed. 776 (D.N.J. 1923), the court rejected the defendant's argument that the plaintiff could not complain of the broadcasting of his song because of the great advertising service thereby rendered. It recognized the valuable enhancement of sales, but stated that even here the choice of the method of advertising belongs to the owner, who has "the exclusive right to publish and vend, as well as to perform." *Id.* at 780.

[34] Buck v. Debaum, 40 F.2d 734 (S.D. Cal. 1929).

[35] Buck v. Jewell-LaSalle Realty Co., 32 F.2d 366 (W.D. Mo. 1929), *rev'd*, 283 U.S. 191 (1931).

[36] The argument that a primary purpose of private enjoyment should render the

A more difficult situation suggested by narrowing the facts in *Middletown* is the typical department store where records are played only at the counter where sold, but are clearly audible in surrounding departments. This situation is perhaps distinguishable from *Middletown* in that the same person is directly responsible for both the infringing use and the legitimate use.[37] However, if *Middletown* applies, the proprietor would be required to close off the sound by listening booths to avoid a copyright violation.[38]

To some extent this decision raised a dilemma of conflicting interests. While the copyright holder wants his records to be sold as widely as possible to recover the royalties under the Copyright Act,[39] the case declares illegitimate a practice which would frequently accord him more benefits from increased record sales than he could receive as damages for infringement.[40] Thus, in some instances the copyright holder may wish to encourage the public performance of records by making licenses freely available to shopping centers.

The necessity of raising the question involved in this case could have been obviated by a statute which more clearly delineates copyright protection. Change in the law is urgently needed to eliminate obscurity of rights and to conform to modern demands and practices.[41] A complete revision of the copyright law has been

use allowable when only an occasional member of the public overhears was not discussed in Buck v. Debaum, 40 F.2d 734 (S.D. Cal. 1929).

[37] In *Middletown* the defendant merchandise mart relied upon a non-infringing use properly attributable to sales by its lessee record shop. Future cases could draw a tenuous distinction between *Middletown* and a defendant who *personally* sells the records in conjunction with an infringing dual use. In such a case, a defendant could at least claim a direct connection with the legitimate use. See also Wyckoff, *supra* note 2, at 263-64.

[38] Query whether the music played by the typical department store record counter actually creates a pleasant shopping atmosphere.

[39] See note 8 *supra*.

[40] Minimum statutory damages are $250, or $10 for each infringing performance when more than twenty-five. 17 U.S.C. § 101 (b) (1958). It is very difficult to establish actual damages beyond the minimum. For a discussion of the inadequacy of the remedy, see Note, 49 YALE L.J. 559 (1940).

[41] Although public performance rights in music were the subject of greater diligence and attention than any other portion of the law from its inception, H.R. REP. No. 2222, 60th Cong., 2d Sess. 4 (1909), statutory revision has long been vehemently urged. There has been much criticism concerning unclear rights, inexplicit defenses, inadequate remedies, and unnecessary exceptions. See Celler, *Copyright—New Frontiers*, 10 COPYRIGHT SOC'Y BULL. 84 (1962); Joines, *Analysis, Criticism, Comparison and Suggested Corrections of the Copyright Law of the United States Relative to Mechanical Reproductions of Music*, 2 COPYRIGHT L. SYM. 43 (1940); Tannenbaum, *The U.S. Copyright Statute--An Analysis of Its Major Aspects and Shortcomings*, 10 N.Y.L.F. 12

introduced at the present session of Congress.[42] Among the significant changes proposed[43] are elimination of the "for profit" limitation,[44] and specification of the circumstances when performances are exempt.[45] The enactment of these provisions would appear to be desirable,[46] but it would also seem wise to include among the exempt performances the record dealer's renditions *exclusively* for the purpose of sales promotion. This needed clarification, however, would not disturb the result in *Middletown*, where the performance would clearly be an infringing use unaffected by an accompanying use of an exempt nature.

The *Middletown* decision applies established rules for determining an infringing use for profit and follows the trend of judicial interpretations which have, almost without exception, protected the music copyrights.[47] The court prohibited exploitation of

(1964). The exemption of jukeboxes under 17 U.S.C. § 1 (e) (1958) has been especially criticized. Finkelstein, *Music and the Copyright Laws*, 2 N.H.B.J. 136, 142 (1960); Mooney, *The Jukebox Exemption*, 10 COPYRIGHT L. SYM. 194 (1959).

[42] S. 1006, H.R. 4347, 89th Cong., 1st Sess. (1965). For a good discussion by the Register of Copyrights of the bill as introduced in substantially the same form at the end of the previous session, S. 3008, H.R. 11947, 88th Cong., 1st Sess., (1964), see Kaminstein, *The McClellan-Celler Bill for General Revision of the United States Copyright Law*, 10 N.Y.L.F. 147 (1964).

[43] Included in the bill are: specific definitions of "perform" (§ 106 (b) (1)) and "publicly" (§ 106 (b) (3)); a change in the compulsory licensing for recordings (§ 113) with higher royalties (§ 113 (c) (2)); recognition of the fair use doctrine without limiting or defining the extent of its application (§ 107); longer duration of copyright terms (§§ 302-05); and elimination of the jukebox exception (§ 114).

[44] "EXCLUSIVE RIGHTS IN COPYRIGHTED WORKS (a) ... the owner of copyright under this title has the exclusive rights ... (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures, *to perform the copyrighted work publicly* ...." (Emphasis added.) S. 1006, H.R. 4347, 89th Cong., 1st Sess., § 106 (1965). Although ASCAP and its members want the "for profit" limitation eliminated, the Register of Copyrights had formerly recommended its continuance. Pasarow, *Viewpoint of the Phonograph Record and Music Industries*, 11 COPYRIGHT SOC'Y BULL. 25, 32 (1963). See also Celler, *supra* note 41.

[45] The bill in § 109 excludes performances: in the course of face-to-face teaching activities; for reception solely within nonprofit educational institutions; in the course of services at a religious assembly; and without purpose of commercial advantage or payment to performers when there is no admission charge, or when the net proceeds are used for educational, religious, or charitable purposes and not for private profit. Also exempt are retransmissions of unaltered content without purpose of commercial advantage or charge to recipients, and such retransmissions to hotel rooms without separate charge to occupants; public reception of transmissions on receiving sets as used in homes unless a direct charge is made or it is further transmitted to the public; and single ephemeral recordings for use by broadcasters. S. 1006, H.R. 4347, 89th Cong., 1st Sess., § 109 (1965).

[46] "Copyright law revision in the United States is long overdue, and the failure of the current program would be a real, if not major, national tragedy." Kaminstein, *supra* note 42, at 154.

[47] See Wyckoff, *supra* note 2, at 263.

copyrighted works for the maintenance of a pleasant shopping atmosphere when only a bare excuse of promoting sales exists. A contrary result would have left too unclear just when sales of records would justify public performances for profit.[48]

[48] This casenote has been entered in the Nathan Burkan memorial competition.